



INVESTIBILITY SCREENING IN EMERGING MARKETS

**For
CalPERS Investment Committee
December 2005**

Emerging Market Manager Company Reports

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Section 1 – Genesis' Investment Process

1. Genesis is a bottom-up investor: that is to say that a portfolio is assembled on a stock-by-stock basis, and its weighting in a particular country depends on the number of attractive ideas we can find there. Accordingly, because we are making decisions about individual securities, Genesis applies many of the CalPERS investibility factors at the level of the particular company.

However, companies operate within the economic, political and social context of their country, and in order to properly quantify the opportunities and risks facing a company, an investor must be able to evaluate that context. Certain of the CalPERS investibility factors define whether the information is robust enough to allow an evaluation to be made on a prudent basis, and are therefore applied at the country level.

The distinctive feature of Genesis' research process is its independence: views are formed by visiting countries and meeting companies. We do not make an investment without interviewing a company's management (often several times). In addition, when forming internal assessments, we use multiple information sources to complement what we ourselves see and hear. Among these are local and international publications, external directors, external consultants, and Genesis' legal and professional relationships.

Investment universe: 123 economies with per capita Gross National Income less than US\$9,075 in 2002, plus high income economies included in Emerging Market indices

Look for countries that promote private capital accumulation and stockmarkets with appropriate regulation and legal structures, i.e. environments conducive to prudent institutional investment

Screening of factors
at country level

Investment themes and industry analysis provide basis to identify companies able to benefit from Emerging Market growth opportunities

Fundamental financial analysis and forecasting to assess business value (based on discounted cashflows wherever appropriate) and subjective assessment of management

Screening of factors
at company level

It is Genesis' strong view that exploitation and repression are incompatible with economic prosperity. Repressive regimes are unlikely to provide the type of open and competitive economy that fosters the corporate growth opportunities suitable for international investment. On a corporate level our experience suggests that a crucial element of a successful long-term investment is an enlightened management team, which understands that a company's development requires a coalition between management, shareholders and workforce, and that no single one of these parties may derive excess benefit from the venture at the expense of the others. If a management mistreats its workforce, it is also unlikely to understand the relationship of trust and responsibility that should exist between it and its minority shareholders, and such a company would not be attractive to Genesis.

Section 2 –Genesis’ Holdings by Country

Argentina

1. Quilmes Industrial (New Preferred) ADR - Sedol 2770055

Industrials - Holding company for the dominant breweries in Argentina, Paraguay, Bolivia and Uruguay

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Company releases good detail of accounts on a quarterly basis, but transparency of controlling family not as good as it could be
2. Political stability	2	Kirchner has a stronger mandate after the recent sovereign debt re-negotiations
3. Progress towards the development of basic democratic institutions and principles	2	Sovereign debt default has been a setback in this area and has crippled the domestic banking industry. There are capital controls and other unnatural impositions made on domestic companies and companies that have already invested in the country but they are prohibited from bringing lawsuits against the government for damage caused by these actions.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known in Argentina, but spirit is generally adhered to by this company
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	Devaluation of the currency and defaulting on its external debt, means uncertainty with regard to the regulatory environment in Argentina
11. Market volatility	2	Can be quite volatile at times
12. Currency risk	1	Currency can be volatile – but what is worse, is the capital controls which exist in the country
13. Liquidity risk	1	Recent tender has made the stock quite illiquid. Free float is less than 20% now and the main buyer of stock now is the controlling shareholder
14. Repatriation risk	2	None for equity investors
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Sovereign debt default a setback for this area –
17. Legal protection for foreign investors	2	Reasonable protection for all investors (aside from debt investors!).
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	44	

Brazil

2. Brasil Telecom Participacoes ADR – Sedol 2297941

Telecommunication Services - The smallest of Brazil's three wireline companies

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	Current bankruptcy legislation is deficient because of the priority it gives to unlimited labour and tax claims to the detriment of other secured and unsecured credits, particularly bank loans. This will be changed significantly as Lula signed into law in Feb 05 an overhaul of the bankruptcy code.
5. Property and shareholder rights	2	A long running dispute between the two largest shareholders is coming to an end and minorities should benefit.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Good – they sponsor a lot of charitable events for their community and team building exercises for employees.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known in Brazil, but spirit is generally adhered to, as judged by our frequent meetings (3-4 times a year) with various management team members.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems. Company not against the formation of unions.
10. Market regulation	2	Regulator very hands-on in Brazilian telecom companies, often to the detriment of operators. All tariff schedules need approval of regulator. Some fees are amongst the lowest in the world. Difficult industry to make sufficient returns on capital invested.
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt and when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	1	Currency subject to large upside and downside risk, depending on external investor sentiment and commodity prices. The company itself usually hedges its foreign currency debt since all of its revenues are in local currency.
13. Liquidity risk	3	.
14. Repatriation risk	3	
15. Market openness to	3	

foreign investors		
16. Government commitment to free market policies	1	Telecom heavily regulated – often difficult to understand regulator’s intentions. Competition is generally promoted by the government, but at the same time, they do not like it when private companies dominate any sector, whether through acquisitions or through organic growth.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	47	

Brazil

3. Cia de Bebidas das Americas ADR - Sedol 2634797 Cia de Bebidas das Americas CM ADR - Sedol 2635314

Consumer Staples - The largest brewer and soft drink producer in Brazil

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	Improvements could be made, though generally good. Current bankruptcy legislation is deficient because of the priority it gives to unlimited labour and tax claims to the detriment of other secured and unsecured credits, particularly bank loans. This will change significantly as Lula signed into law in Feb 05 an overhaul of the bankruptcy code.
5. Property and shareholder rights	2	The merger with Interbrew in 2004 was detrimental to PN shareholders since there was a capital increase in the PN shares to swap with Interbrew prior to the formation of Inbev; the controlling (ON) shareholders were undiluted in the capital increase and subsequent merger with Interbrew. Overall, the country has had conflict with the US regarding intellectual property rights with software and (AIDS) pharmaceuticals.
6. Labor practices/harmful child labor	3	The Company treats employees very well and there are no labor disputes.
7. Corporate social responsibility	3	Good – they sponsor a lot of charitable events and invest a lot in their workforce, as witnessed in company visits.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in Brazil, but spirit is generally adhered to by this company, as judged by frequent meetings (3-4 times a year) with various management team members
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems
10. Market regulation	2	Market isn't regulated, despite this company having 70% of the local beer market; this is somewhat unique in Brazil.
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt and when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	1	Currency subject to large upside and downside risk, depending on external investor sentiment and

		commodity prices. Company has some foreign debt, but generally hedges it.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Tax evasion still significant amongst company's competitors, especially on the soft drink side. Competition is generally promoted by the government, but at the same time, they do not like it when private companies dominate any sector, whether through acquisitions or through organic growth. This company does dominate the beer sector, so this is considered unusual.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	49	

Brazil

4. Companhia Brasileira De Dist. ADR – Sedol 2228532

CBD is the largest food and staples retailer in Brazil

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	The controlling shareholder Abilio Diniz has a substantial investment in the preference shares, suggesting a strong alignment of interest with minority shareholders.
6. Labor practices/harmful child labor	3	CBD's labour practices are very good. They operate senior citizen's, special needs and school leavers programs and internal training programs.
7. Corporate social responsibility	3	CBD runs several environmental and social programmes through its stores, such as recycling and the subsidy of sports and social events.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems. However CBD is considered a good employer and invests in staff training and development.
10. Market regulation	3	
11. Market volatility	2	The sensitivity of consumption to real disposable incomes means that CBD has experienced volatility in its core markets in the past.
12. Currency risk	2	Sales are in local currency with little US dollar exposure. Strong local currency helps imports.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	The FMCG sector is open to foreign investment. Carrefour and Walmart operate the second and third largest chains in the country respectively.
16. Government commitment to free market policies	2	Tax evasion still rampant amongst company's competitors, which is exacerbated by high level of sales tax on food products in Brazil.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	CBD has a liquid ADR program
Company Total score:	49	

Brazil

5. Coteminas Tax Exempt – Sedol 2229212

Consumer Discretionary - Largest integrated textile company in Brazil

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	They have a well documented program to support their community and environment.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems, The company invests a lot in training its employees.
10. Market regulation	3	
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt, when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	1	Currency subject to large upside and downside risk, depending on external investor sentiment and commodity prices. As an exporter with no debt, the company will only suffer when the domestic currency appreciates against the US\$
13. Liquidity risk	2	Not very liquid, but manageable
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	Competition is generally promoted by the government, however, they do not like private companies to dominate any sector, whether through acquisitions or through organic growth.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Brazil

6. Eletrobras Common – Sedol 2311120

Electrobras PNB – Sedol 2308445

Utilities - Federally controlled electric utility

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	The company has initiated dialogue with the SEC to launch a formal ADR programme which would require the adoption of US GAAP. This should help increase the transparency of the financial statements going forward.
2. Political stability	1	Being a Federally-controlled company, the senior management of Eletrobras has tended to change with each administration. The company is however supported by a large number of loyal and competent career employees at the technical, operational and administrative level.
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	1	The move to a NYSE listing and US GAAP accounts is a positive development and we perceive ongoing improvements within the firm. But Eletrobras has historically had a weak governance structure due to the effective autonomy of its subsidiaries.
6. Labor practices/harmful child labor	2	As a Federal company, Eletrobras is subject to procurement practices, which include provisions for fair hiring practices.
7. Corporate social responsibility	2	Eletrobras manages the Federal funds made available for the Luz Para Todos universalisation project. Generation investments are also subject to strict independent environmental licensing.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	The regulatory framework of the electricity sector has been clarified under the Lula administration – driven by the need for investment in the sector to meet growing demand. In the long run this should provide generators such as Eletrobras with the ability to contract capacity at prices more reflective of the marginal cost of the system.
11. Market volatility	2	The changes made in the sector following the electricity shortage in 2001 have greatly reduced the risk of future volatility of pricing and demand.

12. Currency risk	2	Eletrobras is unusual in Brazil in that it holds substantial US dollar receivables which protect it from local currency volatility.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	The private sector, including major foreign utility companies, has substantial investment in generation and distribution. No distinction is made between local and foreign firms other than in Nuclear energy.
16. Government commitment to free market policies	2	Electric utilities are regulated. Current framework seems stable but pricing of electricity is still a sensitive issue.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	41	

Brazil

7. Tele Norte Leste ADR - Sedol 2297930

Telecoms - Integrated telephone company (fixed and mobile)

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems. Company not against the formation of unions
10. Market regulation	2	Regulator is very hands-on in telecom companies, generally to the detriment of operators. Tariff schedules need approval of the regulator and some of the fees for telephony are among the lowest in the world. Difficult industry to make sufficient returns on capital invested.
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt and when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	1	Currency subject to large upside and downside risk, depending on external investor sentiment and commodity prices. The company itself usually hedges its foreign currency debt since all of its revenues are in local currency.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	1	Telecom heavily regulated – often difficult to understand regulator's intentions. Competition is generally promoted by the government, but at the same time, they do not like it when private companies dominate any sector, whether through acquisitions or through organic growth.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	48	

Brazil

8. Unibanco ADR – Sedol 2000815

Financials - Unibanco is the third largest private-sector financial group in Brazil with nearly 6% market share of deposits and loans

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	No tag-along rights
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known in Brazil, but spirit is generally adhered to, as judged by our frequent meetings with various management team members
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems. Company not against the formation of unions
10. Market regulation	3	
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt and when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	2	The bank does not run large open positions,
13. Liquidity risk	2	
14. Repatriation risk	3	No risk – all dividends and capital gains can be brought out of the country at any time.
15. Market openness to foreign investors	3	No incidents to suggest hostility – in fact, the telecom industry has several foreign strategic investors. Foreign portfolio investors are welcomed by this company – easy to secure meetings and get good information.
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	No major disputes witnessed in several years of coverage under different governments. Foreign investors have full protection offered to domestic investors.
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	48	

Brazil

9. Vale Rio Doce Spons ADR – Sedol 2933900

Materials -

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	Current bankruptcy legislation is deficient because of the priority it gives to unlimited labour and tax claims to the detriment of other secured and unsecured credits, particularly bank loans.
5. Property and shareholder rights	3	Company has demonstrated an impressive ability to invest to increase shareholder wealth, despite a significant stake held by the government. We see the company in and out of the country more than 4 times a year.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Excels here – they re-plant areas of the Amazon forest that they have exploited, though they are not compelled by law to do so.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known in Brazil, but spirit is generally adhered to by this company, as judged by frequent meetings (3-4 times a year) with various management team members.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Country as a whole has recognized forced labor problems.
10. Market regulation	2	Given the status of the company as the number one exporter for the country, the government has imposed no regulation on them.
11. Market volatility	2	Volatility driven by macroeconomic conditions: the government issues a lot of floating rate debt and when global investor sentiment turns negative, there are sharp falls in the markets; the converse is also true.
12. Currency risk	1	Currency subject to large upside and downside risk, depending on external investor sentiment and commodity prices. Company hurt by strengthening local currency
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	50	

Chile

9. Banco de Credito – Sedol 2069355

Financials - Banco de Crédito is focussed on retail and SME banking

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	The political and economic policy in Chile is highly transparent. Banco de Credito is open and provides regular updates and the Banking Regulator ensures a high level of transparency and disclosure.
2. Political stability	3	Stable Democracy.
3. Progress towards the development of basic democratic institutions and principles	3	Chile's progress over the past decade has been recognized by its external debt being classified as investment.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights are strong and generally protected in Chile.
6. Labor practices/harmful child labor	3	No issues detected and company has a good relationship with its employees.
7. Corporate social responsibility	3	Good
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Chile has ratified the eight core ILO labour conventions.
10. Market regulation	3	
11. Market volatility	2	Presence of large domestic institutional investors reduces volatility.
12. Currency risk	3	
13. Liquidity risk	3	Reasonably liquid
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Equality with domestic investors
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	57	

Chile

**11. Embotelladora Andina ADR Rep A – Sedol 2069355.
Embotelladora Andina ADS Rep B – Sedol 2299776**

Consumer Staples - Andina holds the Coca-Cola franchises for Santiago, Rio de Janeiro and Mendoza, Córdoba and Rosario in Argentina

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	Stable Democracy
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights are strong and generally protected in Chile.
6. Labor practices/harmful child labor	3	No issues detected and company has a good relationship with its employees.
7. Corporate social responsibility	3	Company involved in many community projects.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Chile has ratified the eight core ILO labour conventions.
10. Market regulation	3	Strong and supportive of institutional investors..
11. Market volatility	2	Presence of large domestic institutional investors reduces volatility.
12. Currency risk	3	Company exposed to both the Chilean peso and Brazilian real
13. Liquidity risk	3	Reasonably liquid.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Equality with domestic investors.
16. Government commitment to free market policies	3	The government is committed to a market economy.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	56	

Hungary

12. MOL – Sedol 4742494 MOL GDS Sedol 4743549

Energy –Intergrated regional oil and gas company

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Strong protection for minorities in articles of association. “Creeping control” of companies by shareholder groups is a risk which MOL is seeking to mitigate by a proposed change in its articles of association. MOL’s management team has always acted in interests of shareholder.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	High level of socially helpful activity in Hungary. Company issues sustainability report annually
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Hungary. However believe MOL’s conduct is consistent with the Principles.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	High level of ratification and compliance with the eight conventions. MOL has a strong and effective union.
10. Market regulation	3	
11. Market volatility	2	Relatively high volatility but manageable. Stock Exchange bulletins are monitored
12. Currency risk	1	Government budget statistics details major cash deficits, which may affect the currency adversely..
13. Liquidity risk	2	Avg Daily Volume \$39m GDR Avg \$10m daily
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	EU entry has led to full privatization. Government still subsidises domestic gas users with special royalty on MOL.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	51	

India

13. Andhra Bank – Sedol 6580368

Financials: full-service bank with origins in the south of India

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, open democracy Andhra Bank: not the most open but no particular problems have arisen
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected, AB: no problems
6. Labor practices/harmful child labor	3	No bad labour relations
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce is fully unionized.
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	No overseas income, but rupee is stable
13. Liquidity risk	2	Not highly liquid
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	49	

India

14. Bank of Baroda - Sedol 6099778

Financials - full-service bank with origins in the west of India

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, open democracy BoB: not the most open but no particular problems have arisen in gaining information
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected BoB: no problems have arisen
6. Labor practices/harmful child labor	3	No bad labour relations
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce is fully unionized.
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	No overseas income, but rupee is stable
13. Liquidity risk	1	Stock available to foreign investors is poorly liquid
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	High
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	48	

India

15. GAIL India - Sedol 6133405

Utilities - India's dominant gas pipeline utility

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	India: vigorous, open democracy Gail was poorly transparent but has improved with the appointment of an Investor Relations officer.
2. Political stability	2	Isolated violent events – relations with Pakistan improving.
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued.
4. Strong and impartial legal system	3	Good but often slow.
5. Property and shareholder rights	2	India: protected. Gail: state has ownership and influence over the company that could possibly be used against the interests of minority shareholders.
6. Labor practices/harmful child labor	3	No bad labour relations.
7. Corporate social responsibility	3	No history of bad practice.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce receive substantial benefits (pension, healthcare etc) as the company is majority-owned by the government of India.
10. Market regulation	3	SEBI is powerful regulator.
11. Market volatility	2	Average to high.
12. Currency risk	2	Very little overseas income, but rupee is stable
13. Liquidity risk	3	Highly liquid
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	48	

India

16. Gujarat Ambuja Cements - Sedol B09QQ11

Materials - producer of cement from several plants in north and west India

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, open democracy Gujarat Ambuja itself is admirably transparent
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected. GACL: no problems have arisen
6. Labor practices/harmful child labor	3	Rated as best employer in the industry
7. Corporate social responsibility	3	Taken very seriously
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce receive pay and benefits substantially above average such that the company is regarded as the employer of choice in the Indian cement industry.
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	15% income in US dollars
13. Liquidity risk	3	Low – stock is reasonably liquid
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily -- but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	50	

India

17. Hero Honda Motors Ltd – Sedol - 6327327

Consumer Discretionary - India's largest producer of motorcycles

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, open democracy. HH is very open and transparent
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected. HH: no issues
6. Labor practices/harmful child labor	3	History of good labour relations. The dismissal of workers and subsequent protests and clashes with the police in July 2005 by Honda Scooters (owned directly by the Honda Motor Co) was mistakenly attributed to HH by some
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce receive pay and benefits substantially above average. In addition, as the company is partly Japanese-owned, it follows Japanese working practices to a large extent.
10. Market regulation	3	
11. Market volatility	2	Average to high
12. Currency risk	2	No overseas but income, but rupee is stable
13. Liquidity risk	2	Trading liquidity patchy
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	49	

India

18. Ranbaxy Laboratories – Sedol B0CMCH4

Health Care - India's largest producer of generic pharmaceuticals

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, open democracy. Ranbaxy: very open and transparent
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	2	India: protected - Ranbaxy: reasonable now but historically there were accusations that the company dealt in its own shares on behalf of a subsidiary company in an untransparent manner
6. Labor practices/harmful child labor	3	History of very good labour relations
7. Corporate social responsibility	3	A model corporate citizen
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	In spirit (the Principles are not well known in India) - a model corporate citizen
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	India is a signatory to ILO principles. Ranbaxy is the leading healthcare company in India and attracts employees from all over the world. It is well-regarded as an employer of choice in India with pay and benefits well above average. Its manufacturing facilities are world-class and approved by the US FDA as compliant with GMP. Ranbaxy's attitude to its workforce is exemplary and is helping to raise national standards
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	Over 50% of revenues in euros and US dollars
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	49	

India

19. Sesa Goa - – Sedol 6136040

Mining - India's largest private sector producer of iron ore

1. Transparency, including elements of a free press necessary for investors	2	India: vigorous, open democracy. Sesa Goa: real transparency only with publication of annual report
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	2	India: protected – Sesa Goa: reasonable now but historically danger of adverse transfer pricing between company and previous Italian majority shareholder
6. Labor practices/harmful child labor	3	History of good labour relations
7. Corporate social responsibility	3	Company has social programmes to benefit local communities (eg healthcare, sports facilities) and are committed to a stringent environmental protection programme
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	In spirit (the Principles are not well known in India)
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	India is a signatory to ILO principles.
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	Majority of revenues priced in US dollars
13. Liquidity risk	2	Only average liquidity
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	47	

India

20. Sun Pharmaceutical Industries – Sedol 6582483

Health Care - One of India's largest producers of generic pharmaceuticals

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	India: vigorous, noisy, open democracy. Sun: very open and transparent
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected Sun: good
6. Labor practices/harmful child labor	2	Although there has been some past history of poor labour relations in regard to the workforce of companies that Sun has acquired these have now been resolved and have not been repeated in recent acquisitions.
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to ILO principles and Sun has FDA-approved, world-class manufacturing facilities and pay and benefits are well above average. However, there has been some past history of poor labour relations (see above).
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	Increasing proportion of sales in US dollars
13. Liquidity risk	2	Not highly liquid
14. Repatriation risk	3	Very low
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	High
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	47	

India

21. Tata Steel – Sedol 6101156

Materials - India's largest private-sector steel producer

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	India: vigorous, noisy, open democracy. Tata Steel: not the most open but no particular problems have arisen
2. Political stability	2	Isolated violent events – relations with Pakistan improving
3. Progress towards the development of basic democratic institutions and principles	3	Democratic principles enshrined and valued
4. Strong and impartial legal system	3	Good but often slow
5. Property and shareholder rights	3	India: protected. Tata Steel is a member of the Tata group whose companies have an excellent reputation
6. Labor practices/harmful child labor	3	Tata Steel is proud of its record of initiating labour-friendly practices in India and has never lost an hour of production to strike action
7. Corporate social responsibility	1	In protests against development of a new plant in January 2006, at least 21 local people were killed by the police. Protests centred on inadequate compensation paid by the local government (ie not the company) but Tata Steel is implicated by association and has at least moral responsibility
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Little known in India but the company follows the Principles in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	India is a signatory to the ILO and the company's workforce is fully unionized. In addition, Tata Group companies have an excellent reputation for labour relations.
10. Market regulation	3	SEBI is powerful regulator
11. Market volatility	2	Average to high
12. Currency risk	2	Less – operations increasingly internationalized
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Being eased but some restrictions remain
16. Government commitment to free market policies	2	Sometimes wavers temporarily – but liberalization is increasingly evident
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Very good now. T+2
19. Transaction costs	2	Relatively high (40bps)
Company Total score:	47	

Israel

22. Check Point Software Tech Ltd – Sedol 2181334

Information Technology - Software company focused on security for enterprises

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company releases good detail of accounts on a quarterly basis, good transparency. Company's management meets with investors often.
2. Political stability	2	Continuing hostility between the Israelis and the Palestinians is a concern
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Strong protection for minorities has been declared by the management
6. Labor practices/harmful child labor	3	Labour practices at Check Point Software Tech and in Israel are of a high standard. We monitor through the local press
7. Corporate social responsibility	3	The company aspires to be a responsible corporate citizen reporting the details of the social projects annually.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known but spirit of them is generally adhered to
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	.
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	The company has predominantly US\$ exposure and trades on Nasdaq. The Shekel is important from a cost point of view. The fx rate between the US\$ and the Shekel has been volatile in the past.
13. Liquidity risk	3	Minimal – a large number of shares are free floating and traded volumes on Nasdaq have consistently been strong.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	All dealings are on Nasdaq which is not very transparent, not possible to see the depth of market or detailed broker activity.
19. Transaction costs	3	All dealings are on Nasdaq at Competitive rates.
Company Total score:	55	

Korea

23. Amorepacific Corporation – Sedol - 6665931

Consumer Discretionary – Amore Pacific is the largest cosmetics company in South Korea

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	2	North Korea is the major country political risk. Eventual unification of the North and South would involve potential economic and political disruption; South Korea's competent corporates may find additional growth opportunities in such a scenario.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	Legal system is broadly characterized by "positive" concept rather than "negative" concept (if something isn't specifically permitted it is prohibited). Laws and the regulations stemming from them, are drafted in broad terms to allow the relevant ministry discretion in their interpretation.
5. Property and shareholder rights	3	In recent years company law has been changed to allow companies to dilute minority shareholders, a modification which is intended to prevent hostile takeovers. Korean securities law requires a majority of outside directors, with audit and remuneration committees comprising two thirds of outsiders. Only outside directors may sit on audit and remuneration committees. In practice many Korean companies nominate retired employees as "outside" directors. A record of shareholder-friendly actions at the company level is the only way to mitigate such risks
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Large corporations in Korea are expected to engage in and fund socially beneficial activities
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known by Korean corporations, but we believe the company's actions are consistent with the Global Sullivan Principles.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Korea has ratified only four of the conventions relating to the ILO Declaration, specifically those relating to the Elimination of Discrimination and the Elimination of Child Labour. In respect of the other two areas, unions in Korea vigorously assert their rights to freedom of association; and Korea is free from compulsory or forced labour practices. No issues with Amore Pacific.
10. Market regulation	3	
11. Market volatility	2	

12. Currency risk	2	Some foreign revenues mitigate currency risk.
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	Market is fully open to foreign investors although a number of restrictions exist: foreigners cannot participate in IPO's; foreigners cannot own broadcast companies and are limited to less than 50% ownership of telecom companies, airlines and cable TV (including home shopping) companies. In additions some restrictions occur with two utility companies (KEPCO with a 40% limit and KOGAS with a 30% limit).
16. Government commitment to free market policies	2	Generally the Korean government has directed and regulated economic activity, although not always on a transparent basis. While this influence has been reduced in recent years it is still a factor. At the corporate level, domestic incumbents have been favoured. Hostile takeovers (especially by foreigners are almost unknown).
17. Legal protection for foreign investors	2	Foreign investors are treated the same as domestic investors. In recent years the industry regulator has vigorously pursued violations by major companies. In a move to underline the seriousness with which the authorities view this issue, recent changes mean that shareholders suits are the only area of Korean law to recognise class action suits.
18. Trading and settlement proficiency	3	
19. Transaction costs	2	In general, foreigners pay higher commissions (typically 35 basis points) than domestic investors who use on-line brokers.
Company Total score:	47	

Korea

24. KT Corporation – Sedol 6505316

Telecom – Fixed line telephony

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	KT's returns are still heavily influenced by the regulator reflecting its dominant carrier status.
6. Labor practices/harmful child labor	3	KT Corp. has no child labour issues. Its workforce receives generous salaries, benefits and severance payments.
7. Corporate social responsibility	3	Within the parameters of the law KT Corp. is perceived as being an excellent corporate citizen, not least for its social activities.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	The Korean market is one of the most volatile in the emerging markets universe. KT Corp. is much less volatile than the overall market.
12. Currency risk	3	Company business is purely domestic. Record current account at macro level.
13. Liquidity risk	3	
14. Repatriation risk market openness to foreign investors	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	1	Korean government has directed and regulated economic activity, (not always on a transparent basis). Domestic incumbent have been favoured. For KT Corp, the government (before privatization) used KT as an instrument of industrial policy, to further the development of the telecoms equipment industry. This legacy of low permitted tariffs continues, offset by the regulations reluctance to expose KT to competition from VOIP

17. Legal protection for foreign investors	2	Foreign investors are treated the same as domestic investors. In recent years the industry regulator has vigorously pursued violations by major companies. In a move to underline the seriousness with which the authorities view this issue, recent changes mean that shareholders suits are the only area of Korean law to recognise class action suits.
18. Trading and settlement proficiency	3	
19. Transaction costs	2	For KT Corp. the GDR route is often the cheaper option.
Company Total score:	47	

Korea

25. Korea Electric Power – Sedol 6495730 Korea Electric Power Sponsored ADR - Sedol 2480495

Utilities – Integrated electric utility

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Poor disclosure of detail by the company, which must be verified by using multiple sources –even within the company. Management meetings are uninformative.
2. Political stability	2	North Korea is specific risk for KEPCO, which has been involved in the building of nuclear plants for no cost there for South Korean Government.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	No company specific issues for KEPCO.
5. Property and shareholder rights	2	KEPCO is still controlled by the Korean government, and so is not run in a way to maximize shareholder returns.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Nature of KEPCO's nuclear generation capacity calls for high level of environmental awareness, which it has demonstrated.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Korea. However we believe KEPCO's conduct is consistent with the eight Principles.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	1	The Korean market is one of the most volatile in the emerging markets universe.
12. Currency risk	1	Imports of fuels are in US\$; high level of foreign debt.
13. Liquidity risk	3	Trades \$58mm daily
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	1	Korean electricity is dominated by KEPCO, a regulated, state-owned monopoly. Tariffs are set in an opaque way by the Ministry of Commerce, acting as regulator. Partial privatization moves have stalled due to low tariffs. In addition KEPCO's capital allocated is directed to fulfill national energy policy rather than maximize shareholder returns.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	43	

Korea

26. KT&G Corp GDR – Sedol 5804069

Consumer Staples – Tobacco and ginseng products

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	2	Specifically for KT&G, the political environment for tobacco products is clearly delineated: advertising is forbidden and public health campaigns seek to reduce tobacco consumption.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	In the case of KT&G, liability suits have been successfully defended - class actions apply only to shareholders suits in Korea and there is no concept of punitive damages in Korea law.
5. Property and shareholder rights	2	A recent change in company law allows companies to dilute minority shareholders, a modification which is intended to prevent hostile takeovers. KT&G management's record of transparency and shareholder-friendly actions has been exceptionally good by Korean standards.. However, in the recent takeover battle with Carl Icahn, the KTG Board (debatably) interpreted the company's articles to restrict voting to a limited number of directors. Korean securities law requires a majority of outside directors, with audit and remuneration committees comprising two thirds of outsiders. Only outside directors may sit on audit and remuneration committees. In practice many Korean companies nominate retired employees as "outside" directors.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Korea. However believe KT&G's conduct is consistent with the eight Principles. We note that in respect of KT&G's involvement with the communities it does business with, the company has historically used a high (a commercial disadvantageous) proportion of domestic tobacco in order to avoid disruptive changes there.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	

10. Market regulation	3	
11. Market volatility	2	The Korean market is one of the most volatile in the emerging markets universe. KT&G is much less volatile than the overall market.
12. Currency risk	3	Company balance import requirements with export business. Record current account at macro level.
13. Liquidity risk	2	Average Daily Volume US\$52m; GDR's also available.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Specifically for KT&G, the government's levying of excise and other taxes accounts for over 80% of the retail price of tobacco products and therefore influences fundamentals in the sector – note that KT&G's product pricing usually benefits from tax hikes. KT&G enjoys no special status, having lost its monopoly status in the privatisation process. The company uses (and therefore subsidises) more high cost domestic tobacco than commercially necessary.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	48	

Korea

27. Hankook Tire Co Ltd –Sedol – 6107422

Consumer Discretionary –Tire manufacturer

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	2	North Korea is the major country political risk. Use amore pacific piece here
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	Hankook has a history of treating minority shareholders well.
6. Labor practices/harmful child labor	3	Hankook has no child labour issues. The company is known to treat its workforce very well despite the base salary being below average.
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	1	The Korean market is one of the most volatile in the emerging markets universe.
12. Currency risk	2	A growing, and by now main part of Hankook's revenues are export orientated. However, despite the recent appreciation of the local currency the company has been able to expand its margins.
13. Liquidity risk	2	Trades \$12mm daily
14. Repatriation risk	3	
15. Market openness to foreign investors	3	As of August 2004 approximately 53 percent of Hankook's shares were held by foreign investors.
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	47	

Korea

28. Hyundai Mobis – Sedol 6449544

Consumer Discretionary –Automotive parts manufacturer and distributor

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Transparency and timeliness of corporate data has been improving since the company's restructuring in the late 90s. Frequent management contact and quarterly financial and performance updates are available.
2. Political stability	2	North Korea is the major country political risk.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Hyundai Mobis is part of a larger group and is not independent from group strategy and influence, which has in the past resulted in actions that did not consider minority shareholder interests. The company has begun to function more independently of late, however, in line with best practices for global auto parts businesses.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Hyundai Mobis and the group of companies in its sphere are viewed as exemplary corporate citizens in Korea.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Korea. However believe Hyundai Mobis's conduct is consistent with the eight Principles.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Korea has ratified only four of the conventions relating to the ILO Declaration, specifically those relating to the Elimination of Discrimination and the Elimination of Child Labour. In respect of the other two areas, unions in Korea vigorously assert their rights to freedom of association; and Korea is free from compulsory or forced labour practices. We have detected no areas in which Hyundai Mobis may be considered deficient in upholding the principles.
10. Market regulation	3	
11. Market volatility	2	The Korean market is one of the most volatile in the emerging markets universe.
12. Currency risk	3	An increasing share of Mobis' revenues are generated abroad. However, the impact of currency changes is still negligible. Furthermore, companies in Korea have in general performed very well despite the recent significant appreciation of the country's currency.
13. Liquidity risk	3	

14. Repatriation risk	3	
15. Market openness to foreign investors	3	Approximately 37 percent of Mobis's shares are held by foreign investors.
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	48	

Korea

- 29. Samsung Electronics (Ord) – Sedol 6771720**
Samsung Electronics (Pref) – Sedol 6773812
Samsung Electronics GDS 1/2 N/Vtg KRW5000 - Sedol 4773096
Samsung Electronics GDS 1/2Vtg Reg S No.2 - Sedol 4942818

Information Technology –Mobile handsets, semiconductors, appliances, display technologies

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Transparency and timeliness of corporate data has been improving significantly in recent years. A large and dedicated IR department is facilitating better access and communication with the company. Despite this access to top management remains difficult in Korea in general as well as in Samsung Electronics.
2. Political stability	2	North Korea is the major country political risk. Companies, such as Samsung, that operate internationally experience little restricting government interference. Rather they are supported and encouraged to excel in the international market place.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Samsung Electronics is part of a larger group and has not yet proven to be entirely free from group strategy and influence. They are slowly moving in the right direction, however.
6. Labor practices/harmful child labor	3	Samsung has no child labour issues Its workforce receives generous salaries, benefits and severance payments. In fact the standards of operation, training and education are exemplary in the case of Samsung.
7. Corporate social responsibility	3	Samsung is viewed as an exemplary corporate citizen in Korea.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	.
10. Market regulation	3	
11. Market volatility	2	The IT sector is always more volatile than others given the rapidly changing supply and demand characteristics.
12. Currency risk	3	The majority of Samsung's revenues are export orientated. However, companies in Korea, including Samsung have in general performed

		very well despite the recent significant appreciation of the country's currency.
13. Liquidity risk	3	Highly liquid with GDR's available. Average daily volume traded around USD 250 mio
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Approximately 60 percent of Samsung's shares are held by foreign holders.
16. Government commitment to free market policies	3	Government promotes early adoption of new technologies in its rules (e.g governing the cellular sector), which benefits Samsung Electronics.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	In general, foreigners pay higher commissions (typically 35 basis points) than domestic investors who use on-line brokers. For Samsung Electronics, the GDR route is often the cheaper option.
Company Total score:	49	

Korea

30. Samsung Fire & Marine Insurance - Sedol 6155250

Financials – SF&M is the largest non-life insurer in South Korea.

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Transparency and timeliness of corporate data are high at Samsung Fire & Marine. Monthly key performance and financial data can be cross checked with government data. Despite this access to top management remains difficult in Korea in general as well as in Samsung Fire & Marine.
2. Political stability	2	North Korea is the major country political risk.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Samsung Fire & Marine is part of a larger group but has in the past been more independent than other group companies from group strategy and influence.
6. Labor practices/harmful child labor	3	Samsung Fire & Marine has no child labour issues. Its workforce receives generous salaries, benefits and severance payments. Its agents are well trained and very well equipped. Standards of operation, training and education are exemplary in the case of Samsung Fire & Marine.
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	3	The majority of Samsung Group's revenues are export orientated. However, companies in Korea, including Samsung have in general performed very well despite the recent significant appreciation of the country's currency.
13. Liquidity risk	3	Highly liquid with GDRs available.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	.
16. Government	2	Generally the Korean government has directed

commitment to free market policies		and regulated economic activity, although not always on a transparent basis. Domestic incumbents have been favoured.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	48	

Korea

31. Samsung Securities - Sedol 6155250

Financials –Leading securities company in Korea

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Highly informative quarterly reports with full discussion of underlying numbers. Figures are also reported in an alternative format which is more helpful to understanding than that prescribed by Korean accounting regulations.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	As a member of the Samsung Group, Samsung Securities's socially beneficial activities are highly visible.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	Trades \$60mm daily
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	Government has recently promulgated new regulations for the securities sector which allow companies much greater scope for their activities, which were narrowly defined in the past. They will be able to offer investors a full range of financial services.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	47	

Korea

32. SK Telecom Co Ltd – Sedol 6224871 SK Telecom Co Ltd ADR – Sedol 2495648

Telecommunication Services – largest mobile phone service provider in South Korea.

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Transparency and timeliness of corporate data is good at SK Telecom. Monthly key performance and financial data are available. Despite good access to management, access to top management remains difficult in Korea in general as well as in SK Telecom.
2. Political stability	2	North Korea is the major country political risk.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	Legal system is based on “positive” concept rather than “negative” concept i.e. if something isn’t specifically permitted it is prohibited. Also laws, and the regulations stemming from them are drafted in broad terms in order to allow the relevant ministry wide discretion in their interpretation. Laws are often drafted to favour incumbent domestic companies. In the case of SK Telecom, the government has exercised biased regulation against it on several occasions in the past in order to protect weaker competitors, to benefit the local equipment industry and to promote a technologically high standard of the Korean telecommunication infrastructure. Despite this, SK Telecom’s returns have been very satisfactory.
5. Property and shareholder rights	2	SK Telecom is part of a larger group and has in the past been subject to group policy and strategy without consent of minority shareholders.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	The regulator has operated an asymmetric policy in favour of SK Telecom’s weaker competitors.
11. Market volatility	2	

12. Currency risk	3	SKT operates to date a purely domestic business and is not directly affected by currency movements.
13. Liquidity risk	3	
14. Repatriation risk	3	Repatriation risk is minimal. Korea imposed no restrictions even during the period of the Asia Crisis.
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Generally the Korean government has directed and regulated economic activity, although not always on a transparent basis. Domestic incumbents have been favoured. Government promotes early adoption of new technologies in its rules (e.g governing the cellular sector), which has directly impacted SKT in the past. Also, government aims to manage the level of competition in certain industries for the benefit of consumers as well as technological advancement and other goals.
17. Legal protection for foreign investors	2	Foreign investors are treated the same as domestic investors. In recent years the industry regulator has vigorously pursued violations by major companies. In a move to underline the seriousness with which the authorities view this issue, recent changes mean that shareholders' suits are the only area of Korean law to recognise class action suits.
18. Trading and settlement proficiency	3	
19. Transaction costs	2	.
Company Total score:	47	

Korea

33. Kookmin Bank New – Sedol 6419365 Kookmin Bank Spons ADR – Sedol 2811697

Financials –Largest retail bank in Korea

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Transparency and timeliness of corporate data is good and continues to improve at Kookmin. Monthly key performance and financial data is available. Despite this access to top management remains difficult in Korea in general as well as in Kookmin.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	Company law allows companies to dilute minority shareholders, a modification which is intended to prevent hostile takeovers. Korean securities law requires a majority of outside directors, with audit and remuneration committees comprising two thirds of outsiders. The government is proposing that only outside directors may sit on audit and remuneration committees. In practice many Korean companies nominate retired employees as “outside” directors. Again a record of shareholder-friendly actions is the only way to mitigate such risks. Kookmin is the country’s largest bank and as such prone to government intervention. Government influence in general in banking used to be very high but has been progressively reduced during the past 7 years after the IMF crisis. Today 78 percent of the shares of Kookmin are held by foreigners, some of which strategic and influential.
6. Labor practices/harmful child labor	3	Kookmin Bank has no child labour issues. Its workforce receives generous salaries, benefits and severance payments. Standards of operation, training and education are very high .
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	Recent ownership and disclosure requirements

		have improved transparency: quarterly accounts are required, as well as better classification of accounting items (inventories, receivables, trade payables).
11. Market volatility	2	The Korean market is one of the most volatile in the emerging markets universe.
12. Currency risk	3	Kookmin operates to date a purely domestic business and is not directly affected by currency movements.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	Generally the Korean government has directed and regulated economic activity, although not always on a transparent basis.
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	.
Company Total score:	48	

Malaysia

34. Air Asia - Sedol B03J9L7

Industrials - Malaysia's first low-cost airline and aims to be the leading low-cost carrier in Asia

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Mainstream Malaysian press (which we see online almost daily) is more open since the new Prime Minister arrived with reform agenda November 2003. Transparency rating has risen from 2. Corporate reporting has been good for a very long time. Air Asia is very open with investors.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	Malaysia deserved a "2" until recent improvements re: independence of the judiciary and de-politicised corporate sector, both reforms of the new Prime Minister
4. Strong and impartial legal system	2	Only ten years ago the Malaysian legal system (which was inherited from the British) was known as "the best legal system money can buy". However, it is getting much better – proof being the acquittal of former Deputy Premier Anwar in September 2004 whose original trial was flawed and politically-motivated.
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	The culture in Air Asia is to maintain good relations with its staff. The crew is well qualified to work elsewhere; this is critical to keep staff turnover low. The CEO works unannounced in the cabin once a month to see customer satisfaction.
7. Corporate social responsibility	3	Helped in tsunami disaster (but this is as much marketing as real charity). CEO of Ryanair is an external Director, helps maintain standards.
8. Compliance with the Global Sullivan Principles of Corporate Social responsibility	2	Sullivan is not well known outside the US. Air Asia is compliant in spirit; ethnic mix of the country is reflected in management team.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Legal system based on British law and supportive of owners' rights. Equal treatment of locals and foreigners.
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	53	

Malaysia

35. IOI Corporation - Sedol 6464514

Consumer Staples -

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	There was an isolated case when the major shareholder tried to sell an asset to the company a few years ago (negative for minority shareholders) but it was rejected by shareholders and has not happened since.
6. Labor practices/harmful child labor	2	Employs rural workers on low wages, sometimes guest workers from Indonesia or elsewhere, to work in the plantations. By some estimates, 10% of the workforce in Malaysia comprises guest workers, who prefer the working conditions in Malaysia to those at home. The pay and conditions are not attractive by western standards but IOI provides training and pays higher than the market to retain staff. Regarded as one of the best plantation companies to work for.
7. Corporate social responsibility	2	Good, often providing medical/social services for the rural community. However, monoculture is not good for the environment.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Global Sullivan Principles are not well known outside the US. IOI is compliant in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Malaysia

36. OYL Industries – Sedol B0FLMF6 Industrials -

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Company is not free with financial information beyond the regulatory minimum
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	The major shareholder has in the past used shareholders funds to help fund other parts of his empire. It has not occurred for some years.
6. Labor practices/harmful child labor	2	We often visit the factory “as an afterthought” after a meeting. We have done this here and were pleasantly surprised, although standards (eg noise pollution, air con) are below those in the west. A factory visit in Wuhan, China, was also freely offered
7. Corporate social responsibility	2	Disposal of waste refrigerants may be below western standards. We have no evidence of this, but the environmental protection laws are weaker in Malaysia than in developed countries.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Global Sullivan Principles are not well known outside the US. OYL Industries is compliant in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	.
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	1	OYL is not liquid
14. Repatriation risk market openness to foreign investors	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	50	

Malaysia

37. Magnum Corporation - Sedol 6554006

Utilities -

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	1	Disclosure is at regulatory minimum; management does not reach out to investors. However the regime in this industry is highly regulated and clear, which is why we decided to invest.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	Magnum has been slow to unwind its non-core investments, to the detriment of earnings
6. Labor practices/harmful child labor	3	Magnum has good relations with its employees, most of whom are its sales agents, so it pays to keep them happy.
7. Corporate social responsibility	2	As a gaming company social responsibility is limited by the nature of the business. It is one of the biggest taxpayers in the country and is keen to follow best corporate practice given the profile of gaming in a country with a muslim majority.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Sullivan is not well known outside the US but Magnum is compliant in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	.
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk market openness to foreign investors	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	As a highly regulated industry the market is not free or unrestricted (as in most countries). However, pricing and prize payout are entirely in the hands of management.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	49	

Mexico

38. America Movil – Sedol 2722670

Telecom – Mobile telecommunication services throughout Latin America

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Difficult to get one-on-one meetings. Company introduced an investor day, bringing the heads of all major Latin American operations to Mexico City
2. Political stability	3	Ineffective, but very stable. Run-up to the Presidential elections in 2006 will invariably cause some volatility.
3. Progress towards the development of basic democratic institutions and principles	3	Enormous progress made since 1997, especially with the change in Political leadership in 2000, for the first time in 70 years. .
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Improvements over last two years as Mexican SEC has implemented many rules similar to the US SEC, i.e minimum free floats and rules regarding mandatory buyouts of minority investors. Corporate governance at this company is exemplary.
6. Labor practices/harmful child labor	3	None detected during company visits – no labor union disputes. Labor abuses generally occur in migrant families and in the south of the country.
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not well known in Mexico, but company adheres well to the spirit of GSP, as judged from meeting with company representatives 2-3 times a year
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Company adheres generally well to the spirit of ILO principles, as judged from meeting with various company representatives 2-3 times a year
10. Market regulation	3	Regulator is very weak and has done nothing to harm the company's dominant position.
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Some sectors prohibit foreign investment (energy production and electricity distribution), most sectors allow unrestricted ownership
16. Government commitment to free market policies	3	It is so committed to free market policies, it doesn't do anything to undo the existing monopolistic/oligopolistic companies, like this one
17. Legal protection for foreign investors	3	Foreigners are treated equally by the law, which has improved substantially over the last 10 years
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

Mexico

39. Cemex SA PTG CERT NPV - Sedol 2406457

Materials –Global cement operations

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	Enormous progress made since 1997, especially with the change in Political leadership in 2000, for the first time in 70 years. Presidential elections in 2006 need to be done peacefully to consolidate the gains achieved in the 2000 elections.
4. Strong and impartial legal system	3	As good as it gets in Latin America– a lot of improvements a decade ago in preparation of Nafta
5. Property and shareholder rights	3	Big improvements over last two years as the Mexican SEC has implemented many rules similar to the US SEC, such as minimum free floats and rules regarding mandatory buyouts of minority investors at specified and fair prices. Corporate governance at this company has been exemplary.
6. Labor practices/harmful child labor	3	None detected during company visits – no labor union disputes. Labor abuses generally occur in migrant families and in the south of the country.
7. Corporate social responsibility	3	High profile of company requires them to be proactive here
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	The company has several well documented programs for employees, the community and the environment, too numerous to list here. See http://www.cemex.com/cc/cc_lp.asp
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Cemex is not opposed to allowing its workers to form unions – many of their subsidiaries have unionized workforces
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	It is so committed to free market policies, it doesn't do anything to undo the existing monopolistic/oligopolistic companies, like this one
17. Legal protection for foreign investors	3	Foreigners are treated equally by the law, which has improved substantially over the last 10 years
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	57	

Mexico

40. Femsa ADS – Sedol 2246039

Consumer Staples – Second largest brewer in Mexico and regional Coca-Cola bottler

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Improvements over last two years as the Mexican SEC has implemented many rules similar to the US SEC, i.e. minimum free floats and rules regarding mandatory buyouts of minority investors. Corporate governance is been exemplary.
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	High profile of company requires them to be proactive here – they sponsor many activities and events
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Company has several programs for employee training, and integration of handicapped employees, as well as the environment.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Company has several programs for employee training, and integration of handicapped employees, as well as the environment.
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Foreigners are treated equally by the law, which has improved substantially over the last 10 years
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	57	

Mexico

41. Grupo Modelo S.A C – Sedol 2380539

Consumer Staples – Largest brewer in Mexico

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Company less responsive to emails and meeting requests than others, and quarterly statements are not as detailed as other Mexican companies
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	None detected during company visits – no labor union disputes. Labor abuses generally occur in migrant families and in the south of the country.
7. Corporate social responsibility	3	High profile of company requires them to be proactive here
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	The company has several programs for philanthropy, the environment, and the training of its employees.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	The company has several programs for philanthropy, the environment, and the training of its employees.
10. Market regulation	3	Regulator is very weak and has done nothing to harm the company's dominant position
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	None– foreigners can repatriate all dividends and capital gains at any time
15. Market openness to foreign investors	3	Very open Some sectors prohibit foreign investment (energy production and electricity distribution), but most sectors allow unrestricted ownership
16. Government commitment to free market policies	3	It is so committed to free market policies, it doesn't do anything to undo the existing monopolistic/oligopolistic companies, like this one
17. Legal protection for foreign investors	3	Foreigners are treated equally by the law, which has improved substantially over the last 10 years
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	56	

Mexico

42. Telefonos de Mexico ADS (L) – Sedol 2881612

Telecom – fixed-line telecommunication services

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Telefonos de Mexico is very open with minority investors Decent detail released in the quarterly reports.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	None detected during company visits – no labor union disputes. Labor abuses generally occur in migrant families and in the south of the country.
7. Corporate social responsibility	3	High profile of company requires them to be proactive here
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not well known in Mexico, but company adheres generally well to the spirit of GSP, as judged from meeting with various company representatives 2-3x a year
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Not well known in Mexico, but company adheres generally well to the spirit of ILO principles, as judged from meeting with various company representatives 2-3x a year
10. Market regulation	2	Very benign compared to other countries - regulator is very weak and has done nothing to harm the company's dominant position
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Very open. Some sectors prohibit foreign investment (energy production and electricity distribution), but most sectors allow unrestricted ownership
16. Government commitment to free market policies	3	Highly committed to free market policies. However, attacks by anti-trust authorities on monopolistic/oligopolistic companies (such as Telmex) have not been successful.
17. Legal protection for foreign investors	3	Foreigners are treated equally by the law, which has improved substantially over the last 10 years
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

Peru

43 Credicorp Sedol 2232878

Financials: Leading full-service bank in Peru (with a small presence in Bolivia)

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Peru has vigorous debate and democracy and Credicorp's corporate communications are a model of transparency
2. Political stability	2	Democracy is increasingly entrenched but society remains highly polarised
3. Progress towards the development of basic democratic institutions and principles	2	See Above
4. Strong and impartial legal system	2	Under Fujimori the Peruvian judiciary was notorious for its lack of independence.
5. Property and shareholder rights	2	Occasional unrealistic talk of nationalisation of certain foreign assets
6. Labor practices/harmful child labor	3	No issues have come to light at Credicorp
7. Corporate social responsibility	3	Taken very seriously at Credicorp, who attempt to apply the highest ethical standards
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Not specifically known in Peru but the company abides by the general principles enshrined in GSP
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Peru is a member country of the ILO
10. Market regulation	3	NYSE listed
11. Market volatility	2	
12. Currency risk	2	Profits in a mix of local currency and US dollars
13. Liquidity risk	1	Poorly liquid
14. Repatriation risk	3	NYSE listed
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	Commitment of (as yet unelected) new government unknown and untested
17. Legal protection for foreign investors	3	NYSE listed
18. Trading and settlement proficiency	3	NYSE listed
19. Transaction costs	3	
Company Total score:	48	

Philippines

44. Globe Telecom Inc – Sedol 6284864

Telecommunication Services - Globe Telecom provides mobile telephony in the Philippines

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company releases good detail of accounts on a quarterly basis and management is easily available to investors.
2. Political stability	2	Globe Telecom operates in fairly stable environment and is not subject to political risks as the company is a provider of a important social telecommunications. Generally, the Philippines has been lacking political stability which remains a risk for investors
3. Progress towards the development of basic democratic institutions and principles	3	On track – a good democratic framework is in place.
4. Strong and impartial legal system	2	A good legal framework is in place, however, there are instances of corruption
5. Property and shareholder rights	3	The company practices high standards of corporate governance and minority shareholder rights protection. This is particularly encouraging as shareholder rights are not always respected in the stock market as a whole.
6. Labor practices/harmful child labor	3	The company practices high standards which can be monitored through the local press and interviews of trade union representatives.
7. Corporate social responsibility	3	While it could be better for the market as a whole, the company practices high standards.
8. Compliance with the Global Sullivan Principles of Corporate Social responsibility	2	Little known but spirit of them is generally adhered to.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Since its membership with ILO in 1948, the Philippines has always been one of the most active members and strongest supporters of ILO policies and programs. It is a country in which the tripartite structure of the ILO truly functions
10. Market regulation	3	
11. Market volatility	2	Can be quite volatile at times
12. Currency risk	2	Currency can, and has been, volatile at times
13. Liquidity risk	2	One of the blue chips on the Philippine stock exchange but not liquid by international standards
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Reasonably open for the most part, however, some restrictions apply in certain sectors.
16. Government commitment to free market policies	3	High – Arroyo's stated objectives aimed at reducing the state interference with the economy.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	Quite competitive by emerging market standards.
Company Total score:	49	

Philippines

45. SM Prime Holdings Inc – Sedol 6818843

Financials - SM Prime is the largest shopping mall operator in the Philippines

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company releases good detail of accounts on a quarterly basis and management is easily available to investors.
2. Political stability	2	Generally, the Philippines has been lacking political stability which remains a risk for investors
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	A good legal framework is in place, however, there are instances of corruption
5. Property and shareholder rights	3	While it could be better for the market as a whole, the company practices high standards.
6. Labor practices/harmful child labor	3	Reasonably high standards prevail in the country as a whole, the company practices high standards.
7. Corporate social responsibility	3	While it could be better for the market as a whole, the company practices high standards.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Little known but spirit of them are generally adhered to.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Since its membership with ILO in 1948, the Philippines has always been one of the most active members and strongest supporters of ILO policies and programs. It is a country in which the tripartite structure of the ILO truly functions
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	2	Currency can, and has been, volatile at times
13. Liquidity risk	2	The stock is one of the blue chips on the Philippine stock exchange but still not very liquid by international standards
14. Repatriation risk	3	
15. Market openness to foreign investors	3	Reasonably open for the most part, however, some restrictions apply in certain sectors.
16. Government commitment to free market policies	3	High – Arroyo's stated objectives aimed at reducing the state interference with the economy.
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	Depth of market information is available on Reuters and Bloomberg and the exchange also supplies broker activity summaries.
19. Transaction costs	2	Quite competitive by emerging market standards
Company Total score:	50	

South Africa

46. African Bank Investments – Sedol 6348180

Financials - African Bank is the South African market leader in the provision of unsecured credit to the mass market

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy African Bank is very open and provides regular updates. Accounting disclosure is good
2. Political stability	3	Stable democracy with the ANC winning a comfortable majority in the last 3 elections
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	No issues detected
7. Corporate social responsibility	3	Company involved in many community projects
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Not widely know however the company adheres to the GSP in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO
10. Market regulation	3	Strong and supportive of institutional investors
11. Market volatility	2	Presence of large domestic institutional funds reduces volatility
12. Currency risk	2	Exposed mainly to ZAR
13. Liquidity risk	3	
14. Repatriation risk market openness to foreign investors	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Equality with domestic investors
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	55	

South Africa

47. Alexander Forbes Ltd - Sedol 6348180

.Financials - independent financial and risk services organisation based in South Africa

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	The company is very open and provides regular updates. The CEO is based in London and we have regular discussions
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	The Government is driving a programme of Black Economic Empowerment (BEE) for most industries. Alexander Forbes has completed a BEE equity transaction and has a programme of continuous recruitment, development and retention of talented black individuals at all levels of the company.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	2	Property and Shareholder rights in South Africa are protected. No problems have arisen at Alexander Forbes
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	Good record of community projects
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not widely know however the company adheres to the GSP in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO
10. Market regulation	3	
11. Market volatility	2	Presence of large domestic institutional funds reduces volatility
12. Currency risk	2	Exposed mainly to ZAR
13. Liquidity risk	2	Reasonably liquid
14. Repatriation risk market openness to foreign investors	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Equality with domestic investors
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	52	

South Africa

48. Standard Bank Group – Sedol B030GJ7

Financials - Standard Bank is South Africa's largest bank by assets and earnings

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy Standard Bank is very open and provides regular updates. Accounting disclosure is good
2. Political stability	3	Stable democracy with the ANC winning a comfortable majority in the last 3 elections
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. No problems have arisen at Standard
6. Labor practices/harmful child labor	3	No issues detected
7. Corporate social responsibility	3	Company involved in many community projects
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	Not widely know however the company adheres to the GSP in spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO
10. Market regulation	3	Strong and supportive of institutional investors
11. Market volatility	2	Presence of large domestic institutional funds reduces volatility
12. Currency risk	2	Exposed mainly to ZAR
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Equality with domestic investors
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

South Africa

49. Anglo American Plc – Sedol 6152972

Materials: Large, globally-diversified mining company

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy Anglo: commendably open and transparent; excellent IR.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	The Government is driving a programme of Black Economic Empowerment (BEE) for most industries.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. No problems have arisen at Anglo.
6. Labor practices/harmful child labor	3	Anglo are corporate leaders in HIV treatment for employees.
7. Corporate social responsibility	2	Have always tried hard to be a good corporate citizen, however mining is an inherently destructive and dangerous activity.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	In spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO. In addition - Anglo group mining operations are usually rated amongst the world's leaders in terms of health and safety.
10. Market regulation	3	Listed on variety of exchanges including the London Stock Exchange.
11. Market volatility	3	
12. Currency risk	2	Operating costs in a variety of volatile currencies while most revenues in US\$.
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	55	

South Africa

50. AngloGold Ashanti – Sedol 6565655

Materials: globally-diversified gold mining company

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a vvery open democracy AngloAshanti: as open and transparent as the parent company; also excellent IR
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	The Government is driving a programme of Black Economic Empowerment (BEE) for most industries.
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. At AngloAshanti, no problems have arisen.
6. Labor practices/harmful child labor	3	Anglo are corporate leaders in HIV treatment for employees.
7. Corporate social responsibility	2	Anglogold clearly recognise that long-term business sustainability is dependent upon good environmental stewardship and comply with all applicable environmental regulations. However, mining is an inherently destructive business and accidents do occur, albeit infrequently.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO. Anglo group mining operations are usually amongst the world's leaders in terms of health and safety. However, mining is an inherently dangerous business, particularly deep-level underground mining, in which Anglogold specialises
10. Market regulation	3	NYSE-listed
11. Market volatility	3	Always high for gold companies
12. Currency risk	2	Operating costs in a variety of volatile currencies while most revenues in USD
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	Unwavering
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	55	

South Africa

51. MTN Group Ltd – Sedol 6563206

Telecommunication Services - Provider of mobile telephony in 10 African countries

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy and MTN is reasonably open and transparent
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. At MTN, no particular problems have arisen in any of the 10 countries in which it operates
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	In spirit
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Female and non-white representation are particularly high at MTN
10. Market regulation	3	
11. Market volatility	2	Reasonable
12. Currency risk	2	Exposed to various volatile currencies including rand and Nigerian naira
13. Liquidity risk	3	
14. Repatriation risk	2	Some risk of non-repatriation from Nigeria but risk is assessed to be low.
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

South Africa

52. Pick 'N Pay Stores - Sedol 6688068

Consumer Staples - South Africa's largest food retailer

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy Standard Bank is very open and provides regular updates. Accounting disclosure is good.
2. Political stability	3	Stable democracy with the ANC winning a comfortable majority in the last 3 elections.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. No problems have arisen at Standard.
6. Labor practices/harmful child labor	3	No issues detected
7. Corporate social responsibility	3	Company involved in many community projects.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	By the end of 1999, South Africa had ratified the eight core conventions of the ILO
10. Market regulation	3	Strong and supportive of institutional investors
11. Market volatility	2	Presence of large domestic institutional funds reduces volatility
12. Currency risk	2	Exposed mainly to ZAR
13. Liquidity risk	3	
14. Repatriation risk market openness to foreign investors	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	Equality with domestic investors
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

South Africa

53. Sasol – Sedol 6777450

Energy - World's leading provider of synthetic liquid fuels from coal and gas

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	South Africa has a very open democracy Sasol: best practice disclosure
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	Property and Shareholder rights in South Africa are protected. Sasol: no obvious problems have arisen
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	A number of accidents at plants in SA led to significant deterioration in Health and Safety statistics in 2005. Company appointed Du Pont as independent investigators. Ensuing report led to initiation of thoroughgoing re-training in safety awareness, from the CEO down.
10. Market regulation	3	
11. Market volatility	2	Can fluctuate with external variables like the exchange rate and the oil price
12. Currency risk	2	Exposed to rand costs with much revenue in USD
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	54	

Taiwan

54. Basso Industry Corp – Sedol 6141118

Industrials - manufacturer of pneumatic tools

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Taiwan: political and economic policy now much more transparent and economically liberal Basso: poor IR but data available if requested
2. Political stability	2	Taiwan claims to be an independent country called the "Republic of China" but only 25 countries recognise it as such. The US provides for Taiwan's defence under the "Taiwan Relations Act" but has stated that Taiwan must not act to change the status quo. Relations with mainland China are volatile. In addition, Taiwanese democracy is relatively new and also volatile
3. Progress towards the development of basic democratic institutions and principles	2	Taiwan is a functioning multi-party democracy. However, vote buying remains a persistent problem in some areas.
4. Strong and impartial legal system	2	The legal system is slow and frequently accused of bias, e.g. laws are often drafted to favour incumbent domestic companies
5. Property and shareholder rights	3	Companies issue bonus shares to staff each year, generally in the range of 0-3% of shares outstanding. Cumulatively this results in substantial dilution for equity capital providers over time. But not Basso
6. Labor practices/harmful child labor	3	There are no known issues with child labour in Taiwan.
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	The Global Sullivan Principles are little known in Taiwan.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	Taiwan is barred from organizations which require statehood as a precondition to membership. As a result it is not a member of the ILO. However, Taiwan has strong laws preventing Child labour and also has strong trade unions
10. Market regulation	3	There are continuous improvements in the quality of data. International standards of accounting practice are being introduced more regularly. This year also sees a tightening of the requirements for consolidation and the introduction of six-monthly consolidated financial statements.
11. Market volatility	2	High
12. Currency risk	3	
13. Liquidity risk	2	Poorly liquid
14. Repatriation risk	3	
15. Market openness to	2	Market is fully open to foreign investors although

foreign investors		some minor restrictions still exist
16. Government commitment to free market policies	3	Historically the Taiwanese government has directed economic activity, and domestic companies have been favoured. This is changing due to WTO commitments. Tariffs are being lowered. There is still substantial intervention in the financial system with directed support for national projects.
17. Legal protection for foreign investors	3	Foreign investors are treated the same as domestic investors. The investor protection centre www.sfipc.org.tw undertakes class action law suits against companies which defraud minority investors.
18. Trading and settlement proficiency	3	Highly efficient and automated: settlement is on a T+1 basis. However, this requires some foreign funds to send money to Taiwan in advance of placing their order.
19. Transaction costs	3	
Company Total score:	48	

Taiwan

55. Faraday Technology Corp – Sedol 6186045

Information Technology - A designer of semiconductors

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Taiwan: political and economic policy now much more transparent and economically liberal Faraday: excellent
2. Political stability	2	See Basso Industry Corp
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No bad practice has come to light
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Stable
13. Liquidity risk	3	Reasonably liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	See Basso Industry Corp
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Taiwan

56. Giant Manufacturing – Sedol 6372167

Consumer Discretionary - Leading global manufacturer of bicycles

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Giant: poor IR but data available if requested
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	No bad practice has come to light despite very labour-intensive manufacturing process
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Stable
13. Liquidity risk	1	Poorly liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	48	

Taiwan

57. High Tech Computer – Sedol 6510536

Industrials - leading global designer of mobile communication devices

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Taiwan: political and economic policy now much more transparent and economically liberal. HTC: exemplary
2. Political stability	2	See Basso Industry Corp
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	See Basso Industry Corp
5. Property and shareholder rights	2	See Basso Industry Corp
6. Labor practices/harmful child labor	3	No bad practice has come to light
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Revenues diversified across a range of currencies
13. Liquidity risk	3	Highly liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Taiwan

58. Mediatek – Sedol 6372480

Industrials - leading designer of semiconductors for optical storage devices

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Taiwan: political and economic policy now much more transparent and economically liberal. Mediatek amongst best practice locally
2. Political stability	2	See Basso Industry Corp
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	See Basso Industry Corp
5. Property and shareholder rights	2	See Basso Industry Corp
6. Labor practices/harmful child labor	3	No bad practice has come to light
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Revenues diversified across a range of currencies
13. Liquidity risk	3	Highly liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	See Basso Industry Corp
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Taiwan

59. Phoenixtec Power – Sedol 6685508

Industrials -

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Phoenixtec:poor IR but data available if requested
2. Political stability	2	See Basso Industry Corp
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	See Basso Industry Corp
5. Property and shareholder rights	3	see above. Phoenixtec does not dilute shareholders by issuing stock to employees
6. Labor practices/harmful child labor	3	No bad practice has come to light
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Stable
13. Liquidity risk	3	Reasonably liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	See Basso Industry Corp
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Taiwan

60. Vanguard International Semiconductor – Sedol 6109677

Information Technology - Foundry manufacturer of semiconductors

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Vanguard: excellent – best practice locally
2. Political stability	2	See Basso Industry Corp
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	See Basso Industry Corp
5. Property and shareholder rights	2	See Basso Industry Corp
6. Labor practices/harmful child labor	3	No bad practice has come to light
7. Corporate social responsibility	3	No examples of negligence
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	3	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	High
12. Currency risk	3	Stable
13. Liquidity risk	3	Reasonably liquid
14. Repatriation risk	3	None
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Taiwan

61. Taiwan Semiconductor Manufacturing Company – Sedol 6889106

Information Technology: world's leading foundry manufacturer of semiconductors

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Taiwan: political and economic policy now much more transparent and economically liberal. TSMC is example of best global practice.
2. Political stability	2	Specific risk for the IT industry is the Taiwan government's unwillingness to allow advanced upstream investment in mainland China. This is encouraging China to subsidise the creation of its own industry and reducing the market for Taiwanese companies.
3. Progress towards the development of basic democratic institutions and principles	2	See Basso Industry Corp
4. Strong and impartial legal system	2	See Basso Industry Corp
5. Property and shareholder rights	2	See Basso Industry Corp
6. Labor practices/harmful child labor	3	There are no known issues with labour/child labour in Taiwan. Labour is treated very well and according to international standards at TSMC, where production standards are among the highest in the world.
7. Corporate social responsibility	3	TSMC is a good corporate citizen and does make donations to charities.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Taiwan.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	Revenues mainly in USD while some costs local (in particular wages).
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Thailand

62. Airports of Thailand (F) – Sedol 6741198

Operates five airports in Thailand, including Bangkok Int., the largest in Southeast Asia

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	1	Thailand has gone backwards in terms of press freedom since Thaksin became PM. However recent demonstrations against the PM have not been suppressed. AoT has not been open post IPO and this has affected the share price. However some members of the management team have been changed and there appears to be an awareness that communication must improve. The company is operating in a highly regulated environment and the regime is clear, which is why we took the decision to invest.
2. Political stability	2	Political stability has suffered in recent months with anti-Thaksin sentiment but it is not a threat to the institutions of government.
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	In a highly visible company like an airport there are unlikely to be issues here although health & safety isn't at western levels (eg noise pollution)
7. Corporate social responsibility	2	Building the new airport near Bangkok has drawn public comment, which seems to have been dealt with professionally. There have been highly public issues regarding corruption between the new airport contractors and members of the Thai government but there is no suggestion that AoT itself was involved.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not well known outside the US but adhered to in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	48	

Thailand

63. PTTEP – Sedol 6290333

- upstream arm of the Petroleum Authority of Thailand

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	PTTEP is extremely open with investors and gives excellent disclosure
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	PTTEP as an oil & gas exploration and production company works alongside Chevron, Shell and other majors on many different projects. Its safety record & training standards are high; the majors regard PTTEP highly. There was an allegation over possible use of forced labour by the Myanmar authorities in a project in which PTTEP's parent company is involved, but neither PTTEP nor its parent were themselves involved and cannot comment.
7. Corporate social responsibility	3	Goes out of its way to be a good corporate citizen. Offers scholarships and runs projects to protect the natural environment.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not widely recognized outside the US but PTTEP complies in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	3	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	51	

Thailand

64. Siam City Cement (F) - Sedol 6806387 - Thailand's second largest cement company

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Excellent disclosure and communication, (this was also the case before it was an associate company of Swiss company Holcim).
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	The presence of Holcim gives comfort but the plant and operating methods were in any case very advanced, as is the good relationship with the workforce.
7. Corporate social responsibility	3	Excellent – as a cement producer that gives off a lot of CO2 the company knows it has to work hard to overcome negative perceptions. It does a lot of community work, scholarship funding etc.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Not well known outside the US but Siam City complies in spirit.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	3	
12. Currency risk	3	
13. Liquidity risk	1	Siam City has become less liquid but not impossible to deal in.
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	3	
Company Total score:	50	

Turkey

65. Migros Turk – Sedol B03MWC8

Consumer Staples - Migros is Turkey's leading supermarket chain

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Mainstream press is reasonably objective Company is open to investors but could provide more timely financial information to investors
2. Political stability	2	Has been volatile but current Government in power for 3 years
3. Progress towards the development of basic democratic institutions and principles	2	Progress made through the adoption of Copenhagen criteria as part of EU discussions
4. Strong and impartial legal system	2	Getting better
5. Property and shareholder rights	3	Company is committed to best international practice
6. Labor practices/harmful child labor	3	No issues detected
7. Corporate social responsibility	3	Good. Company involved in many community projects
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Turkey however, the company operates within the spirit of them.
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	Genesis monitors, at the individual company level, for indications that companies may be operating outside of the spirit of the ILO Declaration. No issues detected
10. Market regulation	2	Regulator supportive of institutional investors
11. Market volatility	2	Lack of domestic institutional shareholders means market may be volatile
12. Currency risk	2	Exposed in Turkey and Russia
13. Liquidity risk	2	Reasonably liquid
14. Repatriation risk market openness to foreign investors	2	Equality with domestic investors
15. Market openness to foreign investors	3	Minimal restrictions
16. Government commitment to free market policies	2	Improving as government deregulates the economy
17. Legal protection for foreign investors	3	Equality with domestic investors
18. Trading and settlement proficiency	2	
19. Transaction costs	3	Low transaction costs
Company Total score:	45	

Turkey

66. Anadolu Efes Biracilik – Sedol B03MNV4

Consumer Staples - Turkey's largest beverage group with dominant positions in the beer and carbonated soft drinks markets as well as strong presence in Russia

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Company releases good detailed accounts according to international standards. The company has received recognition from the local stock exchange for good standards of disclosure.
2. Political stability	2	Volatile political and macroeconomic environment in the past. Current Government, is making progress towards stabilizing the economy and negotiating EU accession.
3. Progress towards the development of basic democratic institutions and principles	2	On track, Turkey has adopted a number of changes to its legislation and constitution to meet the eligibility criteria for EU membership.
4. Strong and impartial legal system	2	Anadolu Efes operates in a solid legal and judicial environment in Turkey.
5. Property and shareholder rights	3	Strong protection for minorities has been demonstrated since the company went public.
6. Labor practices/harmful child labor	3	Labour practices at Anadolu Efes and in Hungary are of a high standard. We monitor through the local press monitored (e.g. Hurriyet, Mulliyet).
7. Corporate social responsibility	3	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	The Global Sullivan Principles are little known in Turkey however, the company operates within the spirit of them.
9. Compliance with the International Labor Organization (ILO) Declaration on fundamental Principles and Rights at Work	2	Genesis monitors, at the individual company level, for indications that companies may be operating outside of the spirit of the ILO Declaration.
10. Market regulation	2	Market regulation is generally of a high standard, certain areas require more focused enforcement.
11. Market volatility	2	
12. Currency risk	2	Currency can be and has been volatile.
13. Liquidity risk	2	Stock considered one of the blue chips on the Istanbul SE. Trades in reasonably large volumes.
14. Repatriation risk	2	None – Turkey operates an open capital account and repatriation has not been a problem to-date.
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	High. Reforms to-date have all been aimed at facilitating free markets.
17. Legal protection for foreign investors	3	Investors are adequately protected.
18. Trading and settlement proficiency	2	Market information available on Reuters and Bloomberg. SE supplies broker activity summaries
19. Transaction costs	3	Competitive by Emerging Markets Standards
Company Total score:	45	

Turkey

67. Yapi ve Kredi Bankasi – Sedol B03MZJ6

Consumer Staples - One of the leading private banks in Turkey operating mainly in the retail segment

CalPERS Policy	Company Score 1-3 <i>See section 4 for rating definitions</i>	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Has been volatile but current Government in power for 3 years. The company is in the process of merging with Koc Bank and the merger ratio has not been announced.
2. Political stability	2	Progress made through the adoption of Copenhagen criteria as part of EU discussions.
3. Progress towards the development of basic democratic institutions and principles	2	
4. Strong and impartial legal system	2	Company is committed to best international practice
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	3	The Global Sullivan Principles are little known in Turkey however, the company operates within the spirit of them.
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	Genesis monitors, at the individual company level, for indications that companies may be operating outside of the spirit of the ILO Declaration. No issues detected
9. Compliance with the International Labor Organization (ILO) Declaration on fundamental Principles and Rights at Work	2	Regulator supportive of institutional investors
10. Market regulation	2	Lack of domestic institutional shareholders means market may be volatile
11. Market volatility	2	
12. Currency risk	2	Reasonably liquid
13. Liquidity risk	2	Equality with domestic investors
14. Repatriation risk	2	Minimal restrictions
15. Market openness to foreign investors	3	Improving as government deregulates the economy
16. Government commitment to free market policies	2	Equality with domestic investors
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	2	Low transaction costs
19. Transaction costs	3	
Company Total score:	44	

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Section 3 –Genesis’ Rejected Holdings due to CalPERS’ Policies

Country	Company name	Reason Rejected
Argentina	TGS	Transparency – regulatory environment unclear
Korea	LG Group	After a restructuring and formal split of the two dominating families that used to control the LG Group, certain group companies deserve a fresh start albeit without immediately attaching predicate investible.
	Korea Air	Property/shareholder rights, transparency
	Hynix	The individuals/family controlling the Hyundai Group of companies has a history of disregarding minority shareholders
	SK Corp	The individuals/family controlling the SK Group of companies has a history of disregarding minority shareholders.
	SK Global	The individuals/family controlling the SK Group of companies has a history of disregarding minority shareholders.
	Hyundai Engineering & Construction	The individuals/family controlling the Hyundai Group of companies has a history of disregarding minority shareholders.
	Hyundai Development	The individuals/family controlling the Hyundai Group of companies has a history of disregarding minority shareholders
	Samsung Corp	Samsung Corp is the central group company of the Samsung group and as such has tended to manage group interests much more than direct shareholder interests. Issues involve transfer pricing, inconsistent strategy, asset trading.
Mexico	TV Azteca	Both these companies (TV Azteca and Grupo Electra) are controlled by Ricardo. Salinas, who has disregarded minorities in the past
	Grupo Electra	<i>As above.</i>
Peru	Minas Buenaventura	Extremely poor record in environmental stewardship and relations with local communities and no sign that the company wants to work to rectify the situation
Philippines	Equitable PCI	Property/shareholder rights at risk due to weak corporate governance.
	Meralco	Property rights are at risk due to adverse regulation and litigation against the company.
	Metrobank	Weak Property/shareholder rights
	Benpres	Property/minority shareholder rights at risk as the company is controlled by a majority shareholder known for violating the rights of minorities.
	Philippine National Bank	Property/shareholder rights at risk due to weak corporate governance.
Taiwan	Formosa Plastics	Unacceptable protection of shareholder rights – companies have a history of not treating shareholders equally in making investment decisions
	Nan Ya Plastic	Part of Formosa group - companies have an unacceptable history of not treating shareholders equally in making investment decisions

	President Chain Stores	Company has a history of straying from core business, at times seemingly according to larger group interests and in disregard of commitments to minorities. Company thus has history of related party investments not necessarily in all shareholders' interests
	Yageo	Lack of respect for property/shareholder rights
	Chen Loong	Lack of respect for property/shareholder rights
	Asia Cement	Lack of respect for property/shareholder rights
	Taiwan Cement	Company is untransparent and seems arbitrary in making material capital allocation decisions
	Nien Hsing Textile	Company has a history of violating labour rights, particularly in overseas plants

Section 4 -- Rating Definitions for CalPERS' Policies

CalPERS Policy	Genesis' Research Process	Rating Definitions
1. Transparency, including elements of a free press necessary for investors	<p><i>Managers' narrative discussing processes and challenges in implementing this policy (interviews, frequency, 3rd party sources, difficulties...).</i></p> <p>In considering any investment, transparency is needed to verify the facts relevant to the company, as well as the ability to ascertain and assess other external factors which may influence the investment outcome. At the company level, we therefore require an annual report and accounts, from which meaningful data may be extracted. If this does not contain adequate discussion by management of the company's historic record and future prospects, it must be possible to address these areas in the interviews we conduct with company management. In any case, we do not invest in companies without first meeting management in order to discuss the economics of the industry in which they operate; the company's future strategy and how this will be financed; and to assess the management's abilities, motivation and integrity. In addition, we like to meet suppliers to, and competitors and customers of the company, in order to paint as full a picture as possible of the company's business. We also maintain relationships with participants in the local financial sector such as specialist consultants, local banks, private equity investors and (if appropriate) local regulatory bodies. Opinions are often solicited from sell-side analysts and independent local sources, such as journalists. If, taken together, these sources do not form a coherent view of a company's business position, integrity and prospects, then we will not make an investment.</p> <p>Disclosure varies from country to country, and from between companies within a country. In some countries (for example South Africa) a high level of disclosure exists (up to and frequently exceeding US comparatives). The existence of an ADR or GDR programme often promotes better disclosure. In other countries (e.g. South Korea) the level of disclosure is lower and information must be assembled on a piecemeal basis as part of a painstaking research process. However, such environments can produce more inefficiently-priced investment opportunities than in those areas where superior disclosure leads to more efficient pricing.</p> <p>External factors such as the political and economic environment which may influence the attractiveness of an investment are monitored through frequent meetings with key economic policy makers, such as the relevant finance ministry, the central bank and regulators. As developing countries are eager to attract foreign portfolio and direct investment flows, the</p>	<p>3 – Above average 2 – Lacking some transparency but adequate information if sought 1 – Lacking acceptable transparency</p>

	<p>ease of access to high-level participants is often surprisingly easy. The local press may be followed in a timely way through the numerous websites local newspapers maintain, usually with English translations (in many cases an English language newspaper exists too). Compared to developed economies, local media (including print media) may be quiescent or surprisingly vigorous (but nevertheless partisan), and efforts are made to cultivate links with local journalists to ascertain the “real” stories. This is particularly important in understanding the unreported links between business and policies which exist in many countries: for example in South Korea, one aim of the local telecoms regulator is to encourage the early adoption of new technologies in order to promote the export of telecoms equipment. This factor must be allowed for in analysing investments in the telecom sector in Korea.</p>	
2. Political stability	<p>CalPERS invests only in stable democracies and the key issues in assessing this factor are i) whether a government’s exercise of power may threaten stability, by acting outside of the democratic process, ii) whether a change of government may threaten political stability through participants’ non-acceptance of the democratic process, and iii) whether non-democratic groups may threaten stability.</p> <p>These factors are best assessed through frequent local travel, monitoring the international and local press and contact with appropriate consultants and analysts.</p> <p>A lower order of questions concerns to what extent overall macro-economic policies may change with a change of government, or be modified by an incumbent government. Again the most valuable source of knowledge is direct local personal experience built up over many years (our country prinipls aim to achieve this) but appropriate consultants, analysts and publications may be used to assess any such likelihood. This analysis is especially useful in assessing the background of candidates in election campaigns when rhetoric may differ greatly from intentions. Finally political changes which may affect the economics of a particular sector (e.g. royalty regimes in the extractive industries) are followed closely, often through meetings with the ministries concerned.</p> <p>As a general rule, we value institutionally-based reform (e.g. the adoption by central European countries of the institutions and laws of the European Union) to personality-based reforms (i.e. the adherence to a particular policy depending on a key individual remaining in power). The fixed (although ultimately disastrous) conversion rate of the Argentine peso into US dollars was an example of this.</p>	<p>3 – stable 2 – Isolated anomalous events 1 – Systematic shortfalls</p>
3. Progress	As the countries appearing on CalPER’s list are	3 – No serious

towards the development of basic democratic institutions and principles	exclusively democracies, we take it as axiomatic that they have achieved acceptable progress in this regard. Therefore we measure their further advancement (or regression) in terms of the development of the functions specifically named in CalPERs policies numbered 1, 2, 4 and 5. Is the press really free? How can dissent be accommodated in the political process without threatening political stability? Is the judiciary independent of the political process? Is there a clear delineation between the property of the state and the private sector? Monitoring this progress calls on those sources used to monitor policies 1, 2, 4 and 5. The broad nature of this policy means it is not applied at the company level.	incident 2 – Isolated incidents 1 – Systematic shortfalls
4. Strong and impartial legal system	We maintain contact with local law firms in many jurisdictions (often resulting from the necessity to make ownership disclosure filings). They are able to advise on the nature (and importantly the efficiency of) the local legal system. Discussions with companies can be enlightening, as they are often participants in the legal process. In addition we make use of the full range of sources highlighted in Policies 1 and 2 in monitoring events where the legal system may be used for political ends (e.g. where political opponents may be prosecuted).	3 – No adverse events 2 – Isolated adverse events 1 – Systematic shortfalls
5. Property/shareholder rights	<p>This policy is monitored by following developments in the legal systems of the permissible countries, plus through the research process at the individual company level:</p> <p>Companies are given particular credit for incorporating shareholder-friendly policies into their Articles of Association (e.g. tag-along rights in the event of changes of control) and for following a higher standard of relations with shareholders than that which may be required by local laws. In addition we monitor (and for other clients actually vote) proxies which are indicative of a company's desire to follow enlightened corporate governance procedures. ISS is used to supplement our own analysis in the area. We particularly encourage the presence of a majority of independent directors on corporate boards, as well as audit and remuneration committees composed exclusively of independents.</p> <p>Visits to local securities regulators often form part of our research trips. Deficiencies in current legislation and suggestions for improving it are discussed, as well as proposed new legislation. In any case, most regulators maintain full English language websites which give updates on current developments.</p>	3 – Clearly acceptable 2 – Rights are imprecise but with clear precedents 1 – Clearly unacceptable
6. Labor practices/harmful child labor	We monitor this Policy at the company level, mostly using the local press and international sources, including NGOs. Information on labour issues is unlikely to come from either the company concerned or from the sell-side community. It is highly unlikely that we would invest in a company whose only comparative advantage was a cheap and compliant	3 – No issues detected 2 – Isolated issue, addressed by management 1 – Multiple issues, not addressed by

	workforce, as apart from the obvious objections, such a business model would be fundamentally unsustainable. However, possible abuses at the level of the suppliers to the investee company are not specifically addressed.	management
7. Corporate social responsibility	As is the case with labour-related Policy, items relevant to Corporate Social Responsibility are best addressed by ensuring access to a wide range of information sources, independent of the company. Accessing such information is an integral part of our research process. Any issues raised by the research process are addressed through the regular contact we maintain with management. We firmly believe that being a good corporate citizen is an essential part of doing business, particularly in a developing country.	3 – Above average, takes proactive steps 2 – Isolated event, addressed by management 1 – Pattern of incidents, not addressed by management
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	The Global Sullivan Principles are little known in emerging markets, and therefore companies there do not appear on the lists of those bodies which have adopted them. We attempt to identify companies which operate within the spirit of the Principles and show themselves to be good corporate citizens. In the main, this is done by monitoring for transgressions of the Principles. This requires gathering information from diverse sources which are hopefully independent of both governments and companies. The local press and certain NGOs are particularly helpful in highlighting infringements by companies.	3 – Full compliance 2 – Partial compliance 1 – Non-compliance
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	<p>The CalPERS investible countries tend to show a high level of ratification of the conventions of the ILO Declaration on Fundamental Principles and Rights at Work. We note that the absence of formal ratification of a convention does not preclude that local practice may meet the standard intended by the convention. For example, a vigorous and effective trade union movement exists in South Korea, even though the country has not ratified the conventions on freedom of association and collective bargaining.</p> <p>In addition ratification in itself does not ensure compliance with the conventions. We monitor, at the individual company level, indications that companies may be operating outside of the spirit of the ILO Declaration. Local and international press reports are followed and issues highlighted by these are raised at management interviews.</p>	3 – High level of ratification/ legal definition of compliance 2 – Partial ratification/ legal definition/variable compliance 1 – Low level of ratification/legal definition/compliance
10. Market regulation	There are few problems in implementing this Policy, in that securities regulators are usually open to discussion with investors and in many cases, actively canvas their views. Particular areas of regulation, such as fair disclosure, takeovers, and corporate governance, are usefully followed at the company level in that enlightened companies may adopt procedures which are an improvement on the current state of legislation.	3 – Regulation conducive to institutional investors 2 – Regulation adequate for institutional investors 1 – Regulation inadequate
11. Market volatility	Share price volatility in a particular market is of little concern because of our low trading activity (portfolio	3 – Relatively low volatility

	turnover is typically less than 20%, implying an average holding period of over five years). Short term volatility is often advantageous in enabling purchase of a stock at an attractive price. In any case, the low correlations of movements in individual stockmarkets allow volatility to be managed at the portfolio level.	2 – Relatively high volatility, but manageable 1 – High volatility
12. Currency risk	In general, we perceive currency risk (defined as the possibility of a fall in the investee currency) to be substantially lower in emerging markets than during the 1990s. This is thanks to improved macroeconomic policies which do not require the maintenance of unrealistically high exchange rate against the US dollar. We model currency risk on a stock-by-stock basis, since the fall in a currency would affect an export-sensitive company quite differently to a domestic one. In addition, any views we may form on currencies arise from the sum of our observations at the company level. We do not hedge currencies. Hedging is often prohibitively expensive in emerging markets and may also work against the advantages of having a diversified portfolio.	3 – Minimal risk 2 – Average risk 1 – High risk
13. Liquidity risk	We continually monitor liquidity conditions in markets, using the information services to which we subscribe (Bloomberg, Reuters). Because of our low trading activity, continuous high liquidity is not important in the managing of the CalPERS portfolio. In addition, because of the anticipated lengthy holding period, we do not need to establish positions rapidly, but may do so patiently, over many trading sessions. As a matter of practice, for our clients collectively, we do not purchase more than 20% of the free float of a company.	3 – High liquidity 2 – Acceptable liquidity 1 – Illiquid
14. Repatriation risk	Repatriation risk may occur during periods of economic crisis. This can be best monitored by continually tracking general economic trends in a country and adjusting the return required from any investment for any additional risk assumed. No special sources are needed to monitor this Policy.	3 – Little repatriation risk 2 – Economic problems but not entailing repatriation risk 1 – Clearly existing repatriation risk
15. Market openness to foreign investors	Market openness is monitored by following the announcements of regulatory agencies. As in developed markets, some “strategic” sectors often are reserved for local investors or have ownership limits for foreigners. This may preclude the establishment of a full position for clients and therefore theoretically reduce the investible opportunity set.	3 – Minimal restrictions 2 – Trade and investment restrictions exist, but are consistent 1 – Arbitrary restrictions
16. Government commitment to free market policies	Government commitment (or lack of it) to free market policies may be observed in several ways: firstly in the level of regulation (including regulation of prices) which a government may impose on the private sector; secondly in the government’s ownership of the means of production; thirdly in the proportion of GDP which a government spends. From our constant discussions with companies we ascertain to what extent regulations limit their ability to grow. For the last two	3 – Little government influence in resource allocation 2 – Transparent government involvement in resource allocation 1 – Opaque

	factors, objective data may be obtained from a variety of sources. We believe that a commitment by a government to extend the scope of the free market is more important than the absolute extent to which free market forces determine the allocation of resources at any single moment.	government involvement
17. Legal protection for foreign investors	We require no more than effective parity with domestic investors in a particular market. Our contacts with local law firms allow us to monitor issues in this area. More importantly, at the company level, an integral part of the investment process is to ensure that any classes of shares reserved for foreigners have the same voting, dividend, pre-emption and other rights as shares owned by local investors.	3 – Foreign investors have equality with domestic investors 2 – Foreign investors have different terms but not seriously disadvantages 1 – Foreigners seriously disadvantages
18. Trading and settlement proficiency	Because of our trading activity, our prime objective is to establish a position without undue market impact. We use data from Elkins McSherry to ascertain our relative level of market impact. Trading is directed to brokers able to execute efficiently and performance in this regard is assessed every six months. The settlement function is handled internally by us, which allows more resources to be devoted to those markets whose settlement proficiency may be less than average.	3 – Efficient and accurate system 2 – Some isolated problems 1 – Multiple difficulties
19. Transaction costs	Transaction costs (together with market impact costs) are monitored using data supplied by Elkins McSherry. Because of our low portfolio turnover, transactions costs do not influence investment decisions. Transaction costs in individual markets are formally reviewed every six months.	3 – Very low transaction costs 2 – Average transaction costs 1 – High transaction costs